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DEC '6 1993

28 OCT 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

IN REPLY REFER TO:

Honorable Richard C. Shelby
United States Senate
313 Hart Senate Office Building
Washington, D.C. 20510

93-253

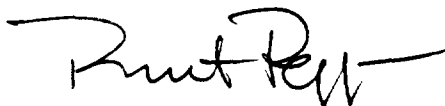
Dear Senator Shelby:

This in reply to your letter of June 24, 1993, on behalf of your constituent, C.M. Landstreet. Mr. Landstreet is concerned about the impact of the competitive bidding provisions of the Omnibus Budget Reconciliation Act of 1993 (Budget Act) on rural telephone companies and on the spectrum as a public resource. Your letter was referred to me because the Office of Plans and Policy is responsible for implementing the competitive bidding provisions of the Budget Act for the Commission.

On October 12, 1993, the Commission released a Notice of Proposed Rule Making, PP Docket No. 93-253 (Notice), to implement the provisions of the Budget Act concerning competitive bidding. According to the Budget Act, the Commission must ensure the economic opportunity of small businesses, businesses owned by women and minorities and rural telephone companies. To meet this Congressional mandate, the Notice proposed a variety of financial incentives for the designated entities. Specifically, we proposed to offer the designated entities the equivalent of government financing for payment of their bids for services subject to competitive bidding i.e., installment payments with interest. We also asked for comment on the use of tax certificates. In the case of broadband PCS, the Commission also proposed to set-aside two blocks of spectrum in each market, one of 20 MHz and one of 10 MHz, for bidding by the designated entities. In this manner, the designated entities would only compete with one another for broadband PCS rather than against larger entities with easier access to capital. As we consider the comments filed in the competitive bidding proceeding, I can assure you that we will keep in mind our mandate to ensure economic opportunity for the designated entities, including rural telephone companies, as required by the Budget Act.

In addition, thank you for your comments concerning the leasing of the spectrum as an alternative to competitive bidding. In fact, the Budget Act's competitive bidding provisions are more analogous to a lease than a sale of property. Under the Budget Act, a Commission licensee will not acquire a property right to a portion of the spectrum, but rather will merely be authorized to use such spectrum during the term of the license. Therefore, competitive bidding will have no impact on the spectrum's status as a public resource. In addition, unlike a predetermined fixed price lease, competitive bidding helps to ensure that the authority to use the spectrum is granted at the market value.

Sincerely,



Robert Pepper
Chief
Office of Plans and Policy

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RICHARD SHELBY
ALABAMA

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*CCB
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United States Senate

WASHINGTON, D.C. 20510-0103

June 24, 1991

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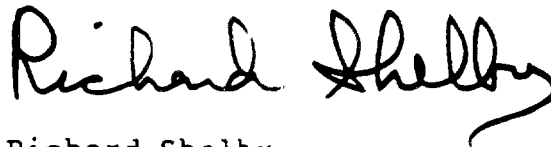
Dear Director:

I am enclosing a copy of a letter I received from
Mr. C. M. Landstreet.

Any information you may have regarding this matter would be
appreciated in order that I may be able to respond to my
constituent's inquiry. PLEASE REPLY IN DUPLICATE TO THE
ATTENTION OF MY STAFF MEMBER, TONY ARNOLD, WITH THE NAME OF THE
ABOVE-MENTIONED CONSTITUENT IN YOUR CORRESPONDENCE.

Thank you for your prompt assistance to this matter.

Sincerely,



Richard Shelby

RCS/stb
Enclosure



LADD ENGINEERING ASSOCIATES, INC.
CONSULTING ENGINEERS

PHONE 205-845-0601
1509 GAULT AVE. S. - P. O. BOX 29
FORT PAYNE, ALABAMA 35967

93 MAY 20 AM 9:53

May 21, 1993

The Honorable Richard C. Shelby
United States Senate
313 Hart Senate Office Building
Washington, D. C. 20510

Re: Radio Spectrum Auctions
Senate Bill 335, and House Companion

Dear Senator Shelby:

For several years now repeated attempts have been made to auction unused radio spectrum by the Federal Communications Commission. I have been involved in telecommunications engineering for almost forty years, and I can see the present growing trend toward increased use of wireless communications. I would not be surprised to see the telephone become a personalized instrument to be carried with you, without any particular geographic base, within the next ten years. The auctioning of available spectrum will favor the large interests with "deep pockets". Whoever controls the spectrum will control the traffic, and we are likely to be back in the same situation as with AT&T before the 1984 divestiture.

We provide engineering services for approximately 25 small, home owned, independent companies and cooperatives in the Southeast. These telephone companies and cooperatives serve areas that the large interests would not serve prior to the REA telephone loan program and most of them could not stand the drastic loss of revenue which would probably occur if a competitor were allowed to build an overlay system (such as personal communications services, or PCS) within their certificated areas.

I am certainly in favor of advancement of new technologies. I am also for protection of universal telephone service and protection for the small rural local exchange carriers who serve a vital purpose, and served that purpose when the large entities and the entrepreneurs would not do so. I am also for making use of the available radio spectrum for enhancement of the quality of life for all Americans (as well as the reduction of the Federal deficit for that same purpose). I realize that the auctioning of spectrum might make a great showing in the form of a one time cash influx for the benefit of whichever political party might be in power at the time that the realized gain were reflected on the books for a particular fiscal year. If the FCC has the right to sell this spectrum, I can only assume that the spectrum is the property of the people of the United States of America, in the same context as the lands of our National parks, certain seashores and waterways, National monuments, etc.. I am not in favor of any such sales, especially by auction or lottery.

As an alternative to auctioning the spectrum for a one shot gain, has the leasing of spectrum ever been seriously considered? A logical system could be devised by which large amounts of annual income could flow into our National budget from such a leasing program. At the same time, control against self serving entrepreneurship, the domination by monopoly, and the holding of unused spectrum for future gain at the expense of the welfare of the American people could be controlled in a proper manner. The more lucrative areas could be leased for more (perhaps a percentage of revenue), while the marginal areas could be leased for very little, until profitable. I offer this suggestion for your consideration while analyzing Senate Bill 335 and, I assume, a companion bill which will soon come before the floor of the House of Representatives.

Your consideration of these comments will be greatly appreciated personally, and by all those Americans who need protection from the large Corporate interests with regards to this particular subject.

Best regards.

Yours very truly,

LADD ENGINEERING ASSOCIATES, INC.



C. M. Landstreet, Sr., President

CMLsr/ajl